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PAGE 01 BRUSSE 02004 01 OF 04 012034Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
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E.O. 11652: N/A
TAGS: ENRG, EEC
SUBJECT: EC COMMISSION PROPOSALS TO ALLEVIATE THE
COMMUNITY'S PETROLEUM PROBLEMS

REF: (A) BRUSSELS 860, (B) 77 BRUSSELS 15084,
(C) 77 BRUSSELS 18820, (D) BRUSSELS 1914,
(E) 77 LONDON 19071

1. SUMMARY: THE EC COMMISSION HAS PROPOSED A NUMBER OF MEASURES TO HELP RESOLVE THE COMMUNITY'S PETROLEUM MARKETING PROBLEMS. THESE ARE BASED PRIMARILY UPON AUTHORITY ALREADY AVAILABLE TO THE COMMISSION AND THE VOLUNTARY COOPERATION OF OIL COMPANIES. THESE MEASURES INCLUDE: (A) ESTABLISHMENT OF A COMMUNITY-WIDE ALLOCATION OF REFINERY THROUGHPUT; (B) ENCOURAGEMENT AND POSSIBLY ASSISTANCE FOR WITHDRAWAL FROM SERVICE OF
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PAGE 02 BRUSSE 02004 01 OF 04 012034Z

REMAINING SURPLUS REFINERY CAPACITY AND FOR CONSTRUCTION OF NEW CONVERSION UNITS TO BALANCE REFINERY OUTPUT; (C) DISCOURAGEMENT OF CONSTRUCTION OF NEW REFINERIES; (D) LIMITATIONS ON IMPORTS OF PETROLEUM PRODUCTS; AND (E) GREATER PRICE TRANSPARENCY. ALTHOUGH MANY OF THESE MEASURES HAVE BEEN FAVORABLY RECEIVED BY SEVERAL MEMBER STATES AND OIL COMPANIES, OTHERS ARE OPPOSED. IT IS

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

DOUBTFUL THAT THIS FAR-REACHING PROGRAM WHICH AFFECTS ALL OIL COMPANIES, INCLUDING US COMPANIES OPERATING IN EUROPE, WILL BE IMPLEMENTED WITHOUT FURTHER EXTENSIVE CONSULTATIONS WITH MEMBER STATES AND THE OIL INDUSTRY AND WITHOUT FURTHER AMPLIFICATION AND PROBABLY MODIFICATION. END SUMMARY.

2. IN ACCORDANCE WITH THE DECISION OF THE EC MINISTERS OF ENERGY DURING THEIR COUNCIL MEETING OF DECEMBER 13 (REF C), THE EC COMMISSION HAS PREPARED A MEMORANDUM ON THE PROBLEMS FACING THE COMMUNITY'S PETROLEUM REFINING INDUSTRY AND HAS PROPOSED SOLUTIONS. THE MEMORANDUM (COPIES POUCHED TO EUR/RPE AND EB/FSE) REVIEWS THE UNPROFITABLE OIL REFINERY SITUATION PREVAILING IN MOST MEMBER STATES AS A RESULT OF A SERIOUS REFINERY OVERCAPACITY, PETROLEUM PRODUCT IMPORTS, A TEMPORARY GLUT OF PRODUCTS (PARTICULARLY FUEL OIL), AND INADEQUATE RETURNS TO THE COMPANIES. IT DRAWS ON A SEPARATE STUDY ON THE "COMMUNITY REFINING BALANCE AND STRUCTURE" (ALSO BEING POUCHED) TO POINT OUT THAT IN LESS THAN A YEAR THE PETROLEUM INDUSTRY ON ITS OWN INITIATIVE HAS TAKEN OUT OF SERVICE ROUGHLY 80 MILLION TONS PER YEAR OF SURPLUS DISTILLATION CAPACITY, LEAVING A REFINERY CAPACITY OF 754 MILLION TONS A YEAR. NECESSARY WITHDRAWL OF AN ADDITIONAL. 60 MILLION TONS A YEAR OF SURPLUS CAPACITY IS NEEDED TO REACH THE TARGET OF ELIMINATING 140 MILLION TONS OF SUR-
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PLUS CAPACITY SET IN 1977 IN ORDER TO BRING THE COMMUNITY TO A SATISFACTORY REFINERY UTILIZATION RATIO OF AROUND 80 PERCENT. ACCORDING TO THE MEMORANDUM, CLOSING OF THE REMAINING PLANTS WILL BE DIFFICULT ON A VOLUNTARY BASIS. EC COMMISSIONER BRUNNER TOUCHED ON THE PROPOSED SOLUTIONS WITH THE AMBASSADOR (REF D).

3. POSSIBLE SHORT-TERM SOLUTION TO SURPLUS REFINERY PROBLEMS: THE COMMISSION, IN THE MEMORANDUM, PROPOSES THAT IN THE SHORT RUN, THE OIL INDUSTRY ADAPT REFINERY PRODUCTION TO DEMAND THROUGH "SELF DISCIPLINE". TO THIS END, THE COMMISSION WOULD PREPARE AN ANNUAL COMMUNITY REFINERY THROUGHPUT TARGET AS A PERCENTAGE OF THE PREVIOUS YEAR'S OUTPUT. THE COMMISSION WOULD THEN "CONSULT" WITH EACH OIL COMPANY REGARDING THIS TARGET AND THE COMPANY'S THROUGHPUT FORECAST SUBMITTED IN CONFIDENCE FOR EACH REFINERY ALONG WITH ACTUAL PRODUCTION FIGURES FOR THE PREVIOUS YEAR. THE COMMISSION WOULD SEEK "FIRM UNDERTAKINGS FROM THE COMPANIES" (PRESUMABLY TO ASSURE THAT THEIR FORECASTS ARE IN LINE WITH THE OVERALL TARGET). FOR 1978, ON AN EXCEPTIONAL BASIS, THE COMMISSION WOULD SET THE REFINERY PRODUCTION TARGET AT 2 PERCENT OVER THE

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1977 LEVEL.

4. IN ORDER TO ASSURE WITHDRAWAL OF AN ADDITIONAL 60 MILLION TONS A YEAR OF DISTILLATION CAPACITY IN THE MEDIUM TERM, THE COMMISSION PROPOSES: (A) GRANTING NATIONAL OR COMMUNITY AIDS TO PERSONNEL AFFECTED BY CLOSURE OF REFINERIES; (B) "FACILITATING, OR AT LEAST NOT HINDERING" ... CONSULTATIONS BY THE INDUSTRY "AIMED AT RATIONALIZATION THROUGH PLANT CLOSURES AND EXCHANGE AGREE- AND (C) GIVING PRIORITY TO SHUTTING DOWN OLD AND COM- PLETELY AMORTIZED DISTILLATION PLANTS WHERE THERE IS A HIGH CONCENTRATION OF REFINERIES AND POLLUTION PROBLEMS.

5. NEW REFINERIES AND CONVERSION UNITS: THE MEMORANDUM
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PAGE 04 BRUSSE 02004 01 OF 04 012034Z

NOTES THAT, SINCE THE EC COUNCIL DID NOT ACT ON THE COMMISSION'S MARCH 1977 RECOMMENDATIONS TO ENSURE THAT

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PAGE 01 BRUSSE 02004 02 OF 04 012044Z
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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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NO NEW REFINERIES ARE BUILT UNLESS STRONGLY JUSTIFIED UNTIL THE REFINING SITUATION IN THE COMMUNITY HAS IMPROVED, THE COMMISSION WILL: (A) "CONSULT" EACH MEMBER STATE ON ANY NEW REFINERY PROJECTS IT MAY BE CONTEMPLATING UNDER AUTHORITY ALREADY AVAILABLE TO THE COMMISSION; (B) NOT AUTHORIZE UNTIL 1980 ANY DIRECT COMMUNITY AID FOR THE CONSTRUCTION OR EXTENSION OF DISTILLATION UNITS; (C) PREVENT UNTIL 1980 EXTENSION OF STATE AIDS TOWARD BUILDING OR EXTENDING DISTILLATION UNITS (UNDER ARTICLES 92 AND 93 OF THE EEC TREATY); AND (D) "SUGGEST" TO THE EUROPEAN INVESTMENT BANK THAT IT SHOULD GRANT NO MORE LOANS FOR SUCH UNITS UNTIL 1980. (A UK PERMDEL OFFICER COMMENTED THAT THE COMMISSION CLEARLY INTENDS TO "THROW THE BOOK AT THE UK" IN REGARD TO NEW REFINERIES USING ITS EXISTING AUTHORITY. HE FEELS HMG WOULD PROBABLY HAVE BEEN BETTER OFF AND MIGHT HAVE AVOIDED AN UNPLEASANT CONFRONTATION HAD IT ACCEPTED THE LIMITED OFFICIAL USE

COMMISSION'S EARLIER COMPROMISE PROPOSAL TO ASSURE NON-BINDING "CONSULTATIONS" REGARDING POSSIBLE NEW REFINERIES.)

6. IN ITS MEMORANDUM, THE COMMISSION INDICATES THAT IT IS MOST UNLIKELY THAT ANY NEW REFINERIES WILL BE BUILT IN ANY CASE. ACCORDING TO THE COMMISSION'S REPORT ON REFINERY BALANCE, OF THE ANNOUNCED 46 MILLION TONS OF NEW REFINERY CAPACITY TO BE BUILT, ONLY A 5 MILLION TON PER YEAR PLANT IS ACTUALLY UNDER CONSTRUCTION IN GERMANY, WHILE CONSTRUCTION OF A 6 MILLION TON REFINERY IN THE UK WAS SUSPENDED IN 1975, AND OTHER PROJECTS FOR A TOTAL OF 35 MILLION TONS A YEAR CAPACITY WILL PROBABLY NEVER BE REALIZED. (COMMENT: THE COMMISSION'S CONCLUSION STANDS IN CONTRAST TO INDICATIONS THAT HMG IS PREPARED TO PUSH CONSTRUCTION OF NEW REFINERIES--INCLUDING EXPORT REFINERIES--AS REPORTED REF E.)

7. THE MEMORANDUM RECOGNIZES THE PROGRESS WHICH HAS BEEN ACHIEVED BY THE PETROLEUM INDUSTRY IN BUILDING ADDITIONAL CONVERSION UNITS TO RESTORE REFINERY BALANCE BY INCREASING PRODUCTION CAPACITY OF THE HIGHER FRACTIONS. BECAUSE OF THE INDUSTRY'S FINANCIAL PROBLEMS, HOWEVER, CONSTRUCTION OF ADDITIONAL CONVERSION UNITS MAY REQUIRE THAT THE COMMISSION PROVIDE ASSISTANCE THROUGH: (A) EUROPEAN INVESTMENT BANK LOANS; (B) AID UNDER THE NEW ORTOLI LOAN FACILITY; AND (C) SPECIFIC NATIONAL OR COMMUNITY AIDS, INCLUDING POSSIBLY INTEREST RELIEF GRANTS.

8. IMPORTS OF PETROLEUM PRODUCTS: THE MEMORANDUM NOTES OIL PRODUCTS. IN 1976 THESE IMPORTS (50 PERCENT FROM

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EASTERN EUROPE) REPRESENTED ABOUT 6 PERCENT OF COMMUNITY CONSUMPTION AND MAY HAVE HAD A NEGATIVE EFFECT ON PROFIT-
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PAGE 03 BRUSSE 02004 02 OF 04 012044Z

ABILITY OF THE EC REFINING INDUSTRY. IN THE SHORT TERM TO ASSURE THAT "IMPORTS REMAIN AT A REASONABLE LEVEL", THE COMMISSION PLANS THE FOLLOWING ACTIONS LARGELY UNDER ITS EXISTING AUTHORITY: (A) IMPROVE AND ACCELERATE COMPILATION OF DATA ON PETROLEUM PRODUCT IMPORTS INCLUDING, IF NECESSARY, ADOPTION OF AN AUTOMATIC IMPORT LICENSE SYSTEM; AND (B) RECOMMEND TO IMPORTERS AN ANNUAL LEVEL OF PETROLEUM PRODUCT IMPORTS FOR THE YEAR AND "CONSULT WITH THEM" IF THERE ARE ANY DISCREPANCIES BETWEEN THEIR FORECAST AND THE COMMISSION'S RECOMMENDATIONS. FOR 1978 THE COMMISSION CONSIDERS THAT IMPORTS SHOULD BE MAINTAINED AT THE 1977 LEVEL.

9. AFTER 1980 AND ONCE THE EC REFINING SITUATION IMPROVES, THE COMMISSION PROPOSES THAT SOME PROPORTION (ONE-THIRD TO ONE-HALF) OF THE "ANNUAL INCREASE IN THE COMMUNITY'S DEMAND FOR OIL PRODUCTS" BE COVERED BY IMPORTS FROM OIL-PRODUCING COUNTRIES "PARTICULARLY THOSE WITH PREFERENTIAL RIGHTS AND WHO HAVE OFFERED GUARANTEES FOR THE SUPPLY OF CRUDE IN RETURN."

10. IN ORDER TO ASSURE IMPLEMENTATION OF ITS RECOMMENDATIONS REGARDING IMPORTS OF OIL PRODUCTS, THE COMMISSION HAS PREPARED A LIST OF STAND-BY MEASURES WHICH COULD BE UTILIZED IF NECESSARY IN CONFORMITY WITH COMMUNITY TRADE RULES. THE SPECIAL MEASURES CITED ARE: (A) STABILIZING OVERALL CEILINGS FOR DUTY-FREE IMPORTS OF OIL PRODUCTS UNDER GSP; (B) MAINTAINING THE PRESENT CEILINGS ON DUTY-FREE IMPORTS FROM NON-MEMBER COUNTRIES UNDER ASSOCIATION OR COOPERATION AGREEMENTS; (C) LIMITING EC AGREEMENTS WITH THIRD PARTIES ON SPECIAL ENTRY OF PETROLEUM PRODUCT IMPORTS TO PRODUCTS ORIGINATING ONLY IN THE COUNTRY CONCERNED; (D) TERMINATING WHERE POSSIBLE ANY OTHER EXISTING SYSTEMS TO SUSPEND IMPORT DUTIES ON OIL PRODUCT IMPORTS; (E) RE-EXAMINING COMMERCIAL ARRANGEMENTS BETWEEN MEMBER STATES AND STATE TRADING COUNTRIES IN
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PAGE 04 BRUSSE 02004 02 OF 04 012044Z

ORDER TO HOLD IMPORTS AT PRESENT LEVELS; AND (F) "EXAMINING THE POSSIBILITY OF IMPLEMENTING THE SAFEGUARD CLAUSES

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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TO SECSTATE WASHDC 4618
INFO ALL EC CAPITALS
DOE WASHDC

AND INTRODUCING ANTI-DUMPING MEASURES, E.G., BY ESTABLISH-
ING REFERENCE PRICES" ON OIL PRODUCT IMPORTS.

11. OIL PRODUCT PRICES: THE COMMISSION'S MEMORANDUM
RECOGNIZES THAT IT IS "UNHEALTHY" FOR THE EC PETROLEUM
REFINING AND DISTRIBUTION SECTOR TO BE PERSISTENTLY
UNPROFITABLE, EVEN THOUGH SOME COMPANIES CAN ASSURE
ADEQUATE PROFITS FROM OTHER ACTIVITIES. THE SITUATION
DETERIORATED FURTHER IN 1977. WHILE THE MEMORANDUM
RECOGNIZES THAT THE SITUATION SHOULD BE RESOLVED BY
ACHIEVING AN OVERALL BALANCE BETWEEN SUPPLY AND DEMAND,
IT SUGGESTS THAT SPECIFIC MEASURES ARE NEEDED TO OBTAIN
A BETTER UNDERSTANDING OF THE SITUATION AND TO PREPARE
FOR POSSIBLE ACTIONS BY PUBLIC AUTHORITIES. THE COM-
MISSION WILL: (A) PUBLISH INFORMATION OBTAINED ON
PRICES; (B) TEST THE EFFECTIVENESS OF THE ROTTERDAM SPOT
MARKET QUOTATIONS FOR SIX MONTHS BEGINNING FEBRUARY 1;
AND (C) CONTINUE TO EXAMINE A PROPOSAL (ADVANCED BY THE
FIVE EUROPEAN OIL COMPANIES) TO ESTABLISH A SYSTEM OF
PUBLISHED PRICE LISTS, INCLUDING LONG-TERM CONTRACTS,
WHICH COULD SERVE AS "PRICE INDICATORS". THE COMMISSION
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ALSO HOPES THAT: (A) GOVERNMENTS CONCERNED WILL INTRODUCE .

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

NECESSARY FISCAL MEASURES TO ENSURE THAT PROFITS PERMITTED AT THE OIL AND GAS PRODUCTION STAGE (PRIMARILY IN GERMANY) DO NOT RESULT IN FAVORING SOME COMPANIES OVER OTHERS IN THE EC MARKET; (B) ANY EXISTING NATIONAL PRICING SYSTEMS WILL ALLOW THE INDUSTRY ADEQUATE PROFITABILITY; AND (C) THE FINANCIAL SITUATION OF THE COMMUNITY REFINING INDUSTRY WILL PERIODICALLY BE EXAMINED WITH THE AID OF MEMBER STATE EXPERTS.

12. PROSPECTS FOR IMPLEMENTATION: ACCORDING TO THE EC COMMISSION OFFICIAL RESPONSIBLE FOR THE CAREFULLY WORDED PROPOSALS, THE COMMISSION--AFTER REPEATED FAILURE BY THE EC COUNCIL TO ADOPT THE MEASURES TO RESOLVE THE EC REFINERY SITUATION ADVANCED IN MARCH 1977--DECIDED TO SEEK A SOLUTION BASED PRIMARILY UPON EXISTING COMMISSION AUTHORITY AND UPON THE VOLUNTARY PARTICIPATION AND COOPERATION BY THE OIL COMPANIES THEMSELVES. THE COMMISSIONS MEMORANDUM MAKES LITTLE MENTION OF THE NEED FOR POSSIBLE APPROVAL BY THE EC COUNCIL, ALTHOUGH THIS OFFICIAL ACKNOWLEDGED THAT IF THE MEMBER STATES STRONGLY DISAGREED, THE COMMISSION WOULD PROBABLY NOT TRY TO IMPLEMENT SOME OF THE PROPOSED MEASURES. HE SAID THE PRELIMINARY REACTION OF MEMBER STATE OFFICIALS HAS BEEN RELATIVELY FAVORABLE. WHILE SUPPORT BY ITALY AND FRANCE COULD BE EXPECTED, HE SAID THAT EVEN GERMANY WHICH NORMALLY OPPOSES MEASURES WHICH SMACK OF "DIRIGISME", HAS BEEN RELATIVELY FAVORABLE, PRIMARILY, HE BELIEVES, BECAUSE THE MEASURES CALL FOR THE VOLUNTARY PARTICIPATION BY THE OIL INDUSTRY RATHER THAN IMPOSING A SYSTEM BY CENTRAL AUTHORITY. A GERMAN PERMDEL OFFICIAL CONFIRMED THAT GERMANY WAS GENERALLY FAVORABLE TOWARD THE MEMORANDUM. A UK PERMDEL OFFICIAL SAID THE UK HAD NOT LIMITED OFFICIAL USE

YET DETERMINED ITS POSITION ON ALL ASPECTS OF THE MEMORANDUM, IN PART BECAUSE OF RECENT REORGANIZATION OF THE UK DEPARTMENT OF ENERGY. UK MINISTER OF ENERGY BENN PERSONALLY PROTESTED TO BRUNNER OVER THE MANNER IN WHICH THE COMMISSION "SPRUNG" THESE PROPOSALS ON THE MEMBER STATES AND INDICATED IT WAS PREPARED TO TAKE ACTION ON ITS OWN AUTHORITY, PARTICULARLY IN REGARD TO NEW REFINERIES, WITHOUT COUNCIL APPROVAL

13. THE FIVE SO-CALLED EUROPEAN COMPANIES (REF A) ARE FAVORABLE TO THE PROPOSALS AND EVEN THE ENGLISH MULTINATIONAL BP HAS BEEN REPORTED BY A BRITISH PERMDEL OFFICIAL TO HAVE EXPRESSED CAUTIOUS APPROVAL OF SOME OF THE MEASURES WHICH WOULD HELP IT RESOLVE THE VERY SERIOUS FINANCIAL PROBLEMS IT FACES IN THE EUROPEAN REFINING INDUSTRY AND OIL MARKET, PARTICULARLY IN WEST

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

GERMANY. BP'S REPORTED PROBLEMS STEM IN PART FROM A
REPORTED LACK OF CONVERSION CAPACITY WHICH HAS GIVEN IT
A LARGE SURPLUS OF FUEL OIL WHICH IT HAS HAD TO MARKET
AT LESS THAN THE COST OF THE IMPORTED CRUDE OIL. TO
THE BEST OF OUR KNOWLEDGE, OTHER MULTINATIONAL COMPANIES
OPERATING IN EUROPE, INCLUDING SHELL, OPPOSE THE
PROPOSALS.

14. REPRESENTATIVE OF ONE AMERICAN COMPANY TOLD THE
MISSION THAT IT CONSIDERS THE PROPOSALS TO BE TOTALLY
IMPRACTICAL, PARTICULARLY IN REGARDS TO ESTABLISHMENT OF
CENTRALIZED GUIDELINES FOR PRODUCTION BY INDIVIDUAL
REFINERIES WHOSE THROUGHPUT CHANGES CONSTANTLY IN ORDER
TO FIT THE MARKET SITUATION IN INDIVIDUAL COUNTRIES FOR
ANY GIVEN PERIOD. HE FEELS THE PROPOSAL, IF ADOPTED,
WOULD AMOUNT TO THE CARTELIZATION OF THE OIL INDUSTRY IN
EUROPE AND THE FREEZING OF MARKET SHARES BETWEEN
COMPANIES. THE PROPOSALS ALSO NEED CLARIFICATION; FOR

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PAGE 01 BRUSSE 02004 04 OF 04 012058Z
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EXAMPLE, DO THE REFINERY PRODUCTION TARGETS APPLY FOR
EACH COUNTRY, EACH COMPANY, OR EACH REFINERY? HE FEELS
THAT CONSIDERABLE PROGRESS HAS BEEN MADE BY THE INDUSTRY
ON ITS OWN TO RESOLVE ITS SERIOUS REFINERY PROBLEMS.
THERE IS NO REASON WHY THE COMPANIES COULD NOT WITHDRAW

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THE REMAINING 60 MILLION TONS OF EXCESS CAPACITY FROM SERVICE IN THE NEAR FUTURE. HE FEELS THE EC COMMISSION, LIKE MOST BUREAUCRATIC ORGANIZATIONS, WOULD LIKE TO EXPAND ITS ROLE AND AUTHORITY AND WISHES TO ARRANGE A "MARRIAGE OF CONVENIENCE" WHEREBY IT CAN ACHIEVE THAT OBJECTIVE WHILE AT THE SAME TIME HELPING SOME MEMBER STATES ALLEVIATE THEIR OIL INDUSTRY PROBLEMS BY SPECIAL MEASURES RATHER THAN BY TAKING THE INTERNAL MEASURES WHICH WOULD ALLOW THE INDUSTRY TO SOLVE ITS OWN PROBLEMS. IN PARTICULAR, HE NOTED THAT FRANCE AND ITALY COULD ALLOW MODEST RISES IN THE RETAIL PRICES OF PETROLEUM PRODUCTS UNDER THEIR REGIMENTED PETROLEUM PRICE STRUCTURES WHICH
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WOULD ALLEVIATE THE PROBLEMS RESULTING FROM SURPLUS REFINERY CAPACITY. WHILE HIS AND OTHER COMPANIES HAVE BEEN WILLING TO COOPERATE WITH THE EC COMMISSION IN PROVIDING INFORMATION FOR THE ROTTERDAM MARKET TEST RUN AND FOR ANALYSIS OF THE PROBLEMS FACING THE EUROPEAN OIL INDUSTRY, HE SAID THEY WILL REFUSE TO COOPERATE VOLUNTARILY WITH SOME OF THE NEW PROPOSALS. IF THE SYSTEM IS TO BE IMPLEMENTED, HE SAID, IT WILL HAVE TO BE IMPOSED BY LAW IN THE SAME WAY THAT THE OIL INDUSTRY IS REGIMENTED IN FRANCE. WE UNDERSTAND THAT THIS COMPANY AND OTHERS WERE NOT SO FORCEFUL IN THEIR OPPOSITION TO THE PROPOSALS IN THEIR CONVERSATIONS WITH THE COMMISSION.

15. THE COMMISSION NOTES IN THE MEMORANDUM THAT REGARDLESS OF WHICH OF THE PROPOSED MEASURES ARE IMPLEMENTED, THE COMMISSION INTENDS TO ESTABLISH A "SYSTEM OF REGULAR CONSULTATIONS BETWEEN THE COMMISSION AND ALL THE COMPANIES CONCERNED". IT MAKES NO MENTION OF A SPECIAL OIL INDUSTRY CONSULTATIVE COMMITTEE WHICH IS DESIRED BY ENERGY COMMISSIONER BRUNNER. EC COMMISSION AND OIL COMPANY OFFICIALS BELIEVE, HOWEVER, THAT CREATION AND OPERATION OF SUCH A FORMAL COMMITTEE COULD CAUSE PROBLEMS, PARTICULARLY IN REGARD TO RULES OF COMPETITION.

16. COMMENT: THE COMMISSION'S BROAD PROPOSALS IF FULLY IMPLEMENTED COULD HAVE FAR-REACHING EFFECTS ON THE EUROPEAN OIL INDUSTRY, INCLUDING US COMPANIES OPERATING IN EUROPE. THERE IS LITTLE CHANCE, HOWEVER, THAT THESE MEASURES AS FORMULATED IN THE MEMORANDUM WILL BE FULLY CARRIED OUT. WHILE THE COMMISSION THEORETICALLY HAS THE AUTHORITY TO IMPLEMENT MOST OF THEM,AS BRUNNER REMINDED THE ENERGY COMMITTEE ON JANUARY 31, IT IS INCONCEIVABLE
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(AS THE UK DELEGATION IN TURN REMINDED BRUNNER) THAT THE COMMISSION WOULD TRY TO APPLY SUCH A PROGRAM WITHOUT THE CONCURRENCE OF THE MEMBER STATES. IN ADDITION, APPLICATION OF PART OF THE PROGRAM WILL REQUIRE THE POSITIVE COOPERATION OF THE BULK OF THE OIL INDUSTRY WHICH IS ALSO UNLIKELY. WE ANTICIPATE THAT DISCUSSIONS WITHIN THE COMMUNITY AND WITH INDUSTRY WILL BE PROTRACTED AND RESULT IN AMPLIFICATION AND MODIFICATION OF THE MEASURES BEFORE MANY OF THE MORE IMPORTANT ONES ARE APPLIED, IF EVER. END COMMENT. HINTON

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20 Mar 2014
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